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C O N F I D E N T I A L SECTION 01 OF 02 TEGUCIGALPA 002461

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STATE FOR WHA/CEN TKELLY, SAN SALVADOR FOR FCS DTHOMPSON

E.O. 12958: DECL: 10/16/2013

TAGS: [EINV](#) [EFIN](#) [ECON](#) [HO](#)

SUBJECT: MERENDON MINING REQUESTING RETRACTION IN ICP

Classified By: Ambassador Larry L. Palmer for reasons 1.5 (b) and (d)

1. (U) This is an action request (see paragraph 2).

2. (SBU) Summary and Action Request: The Embassy has received complaints from Canadian citizen Merendon Mining Corp. Ltd. President Gary Sorenson and now from his U.S. attorney, William Rogers of the law firm Arnold and Porter, regarding the content of an International Company Profile (ICP) on Merendon de Honduras. Both Sorenson and Rogers have urged the issuance of a new ICP and indicated their intention to pursue multiple routes to achieve this goal (apparently a reference to a possible legal challenge). Copies of the ICP and all pertinent correspondence are being faxed and fedexed to both the Department of Commerce and State desk officers. An interim response was sent to Rogers on October 13 (text provided in para 10). The Embassy requests guidance from the Department of Commerce General Counsel's office on any further action that should be taken. End Summary and Action Request.

Background on Merendon

3. (C) Merendon Mining Corp. Ltd. and Merendon de Honduras are both part of Merendon Group, along with several related companies in Honduras, Venezuela and Peru. Merendon and its president Gary Sorenson are involved in a legal dispute with Amcit Angel Lorie over unrepaid funds that Lorie lent to Sorenson in the United States. The dispute spilled over into Honduras when Lorie began to seek title to Merendon property in Honduras; in 2001, Lorie began requesting Embassy advocacy with the Honduran judicial system. Correspondence from Mr. Lorie on the underlying issues in the dispute (included in the information sent to Washington) raised questions about business practices by both Mr. Lorie and the Merendon companies.

4. (C) In 2000 and 2001, the Economic section of the Embassy was informed of indications of money laundering activities by Merendon, as well as an ongoing Canadian government investigation into the company. In 2002, Sorenson came in to meet with Econcouns about notices he had received, from prominent Honduran banks, closing the company's accounts. The apparent purpose of the visit was to see if the U.S. government was in some way involved. Note: These bank account closings occurred immediately after the strengthened Honduran money laundering law was passed by Congress and entered into force, in early 2002. Sorenson expressed his belief that the Honduran banks and authorities do not understand his company's mutual and equity fund approach to raising capital for his company. End Note.

5. (C) We have since learned that some Merendon financial transactions are being reviewed by the Honduran Financial Information Unit (FIU). To date, however, the FIU has not found sufficient evidence of money laundering to prepare a case. We have also learned that Sorenson was found guilty of securities fraud in Canada in October 2000 for selling securities without permission of the Alberta Securities Commission. He was restricted from participating in the parent company's board of directors in Canada for two years.

6. (C) Merendon's operations in Honduras are unusual. The company does not do any actual mining (extraction) in Honduras, except for some possible purchase of product from placer operations. Thus, the company was importing gold from other places for refining and re-export. This type of activity is distinct from all other Canadian mining companies operating in Honduras (with mining permits to explore or exploit particular deposits). Merendon has expanded into Venezuela during the 2002-2003 time period, a difficult time for foreign investment. And here in Honduras, we understand that Merendon is currently discussing investments in a hotel project on the island of Guanaja owned by a U.S. citizen. No other foreign mining companies operating in Honduras are, to our knowledge, branching out into hospitality services.

Requests for International Company Profile Report on Merendon

17. (SBU) Thus, the Embassy had a variety of questions and concerns about Merendon operations in Honduras when Emboffs became aware that the FCS section received from the Commerce Department Export Assistance Center in Reno, NV, a request for an ICP on Merendon for Kevin Wilson representing U.S. company Rockwell Holdings. For four weeks, the FCS section repeatedly called company officials in attempts to obtain the requested data for the ICP. Based upon the previously known concerns and four weeks' of delays in finally returning the information, the FCS office of Embassy Tegucigalpa submitted the referenced ICP.

18. (SBU) The Embassy has received demands for Embassy retraction of negative comments from Amcit Peter Johnson (not a representative of Merendon or Rockwell Holdings), Canadian government employee Shad Prashad -- currently on detail to Merendon, Gary Sorenson, and most recently on September 25, William Rogers. All of these parties have inaccurately charged that the Embassy has distributed the report publicly and therefore has done harm to the company. We understand from communications with the Commerce Department's Honduras desk officer that an ICP is only released to the requesting client and is not made public. The post should not discuss the report with anyone other than the client.

19. (SBU) It might be useful to note that the original requestor of the ICP, Mr. Kevin Wilson, wrote to Merendon's Florida attorney, Mr. Larry Adair on June 18, 2003. In the letter, Mr. Wilson explains that he requested the ICP by pretending to be a potential investor. He indicated that he did this in order to create an easy-to-follow guide of independent sources that any potential lender could contact to perform their own due diligence on Merendon. His request to the Reno Export Assistance Center appears to have been a trial run. Mr. Wilson is not himself an Amcit or a true potential investor.

110. (SBU) Begin Text of Interim Response to William Rogers.
Mr. William D. Rogers
Arnold and Porter
555 Twelfth Street, NW
Washington, D.C. 20004

Dear Mr. Rogers:

Thank you for your letter of September 25, 2003 concerning the International Company Profile (ICP) of your client, Merendon Mining, written by the Commercial Section of the U.S. Embassy. As you indicated in your letter, the ICP was requested by Mr. Kevin Wilson through the Commerce Department's office in Reno, Nevada. We have been told by the Department of Commerce that this report was not published and has not been distributed to anyone other than Mr. Wilson. The Embassy similarly has not provided copies to any other outside party. The Embassy has also been instructed by the Department of Commerce to refer any inquiries regarding the ICP to the Department of Commerce.

We are forwarding the complete package of information provided by Mr. Sorenson, along with your letter, to the legal department of the Department of Commerce for review.

Please do not hesitate to contact the Department of Commerce directly should you have any further questions.

Sincerely,

(signature)

Larry L. Palmer
Ambassador

End Text of Interim Response to William Rogers.
Palmer